

Exhibit No.:  
Issues: Revenues, Electricity Expense,  
Office Rents, Telephone Expense,  
Postage Expense, Rate Case  
Expense  
Witness: "Kofi" A. Boateng  
Sponsoring Party: MoPSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: WR-2006-0425  
Date Testimony Prepared: December 1, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**"KOFI" AGYENIM BOATENG**

**FILED<sup>2</sup>**

**FEB 08 2007**

**Missouri Public  
Service Commission**

**ALGONQUIN WATER RESOURCES OF MISSOURI, LLC**

**CASE NO. WR-2006-0425**

*Jefferson City, Missouri  
December 2006*

**STAFF** Exhibit No. 14  
Case No(s). WR-2006-0425  
Date 1-22-07 Rptr KF

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

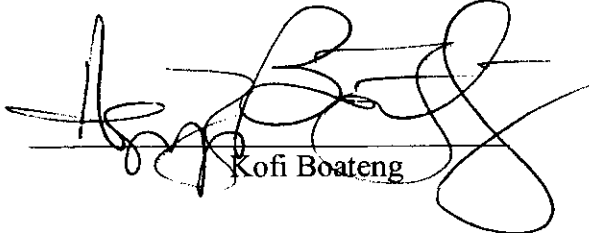
In the Matter of the Tariff Filing Algonquin Water )  
Resources of Missouri, LLC to Implement a )  
General Rate Increase for Water and Sewer Service )  
Provided to Customers in Its Missouri Service )  
Areas. )

Case No. WR-2006-0425

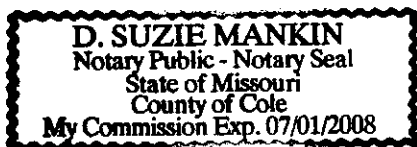
**AFFIDAVIT OF KOFI BOATENG**

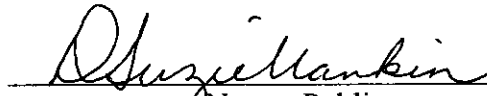
STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Kofi Boateng, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of   11   pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
Kofi Boateng

Subscribed and sworn to before me this 30 day of November 2006.



  
(Notary Public

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**“KOFI” A. BOATENG**  
**ALGONQUIN WATER RESOURCES OF MISSOURI, LLC**  
**CASE NO. WR-2006-0425**

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**DIRECT TESTIMONY**

**OF**

**“KOFI” A. BOATENG**

**ALGONQUIN WATER RESOURCES OF MISSOURI, LLC**

**CASE NO. WR-2006-0425**

**Q. Please state your name and business address.**

A. "Kofi" Agyenim Boateng, Governor Office Building, P.O. Box 360, Jefferson City, MO 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission (Commission or PSC) as a Regulatory Auditor.

## **EDUCATIONAL BACKGROUND AND EXPERIENCE**

**Q. Please describe your educational background and experience.**

A. I graduated from the Ho Polytechnic, Ho, Ghana. I received a Higher National Diploma (HND) in Accountancy (September 2000) and a Master's of Business Administration with emphasis in Accounting at Lincoln University, Jefferson City, Missouri (May 2004). In September of 2004, I commenced employment with the Commission Staff (Staff) in my current position of Utility Regulatory Auditor. Prior to employment with the Commission, I held the position of Accountant with the Controller & Accountant General's Dept., Ghana; Accountant with ACS-BPS (Ghana) Limited; Payroll Account Technician with Scholastic Book Club, Inc., Jefferson City; and Account Officer II with the Missouri Department of Revenue, Jefferson City.

Q. What has been the nature of your duties while employed by the Commission?

Direct Testimony of  
"Kofi" A. Boateng

1           A.     It is my responsibility to assist with audits and examinations of the books and  
2 records of utility companies operating under the Commission's jurisdiction within the state of  
3 Missouri.

4           Q.     Have you previously worked on any other cases since your employment with  
5 the Commission?

6           A.     Yes. I have been assigned to formal rate cases and a number of small  
7 informal rate cases. A listing of the cases that I have worked on since my employment began  
8 with the Commission is given in Schedule 1, which is attached to this direct testimony.

9           Q.     What knowledge, skills, experience, training or education do you have in  
10 these areas of which you are testifying as an expert witness?

11          A.     I have reviewed workpapers and testimony of Staff and other parties involved  
12 in other utility rate cases on the same issues I am sponsoring in this proceeding.  
13 Additionally, I have reviewed workpapers and testimony from prior Algonquin Water  
14 Resources of Missouri, LLC (Algonquin or Company) rate cases brought before this  
15 Commission relating to the issues I am sponsoring to ensure that the consistency of the  
16 Staff's method and procedures are reasonably maintained. My prior academic education has  
17 also prepared me to successfully sponsor the ratemaking areas I have been assigned in this  
18 case. I have received certificates of training from National Association of Regulatory Utility  
19 Commissioners (NARUC)-sponsored seminars in water, gas and electric utility cost of  
20 service and regulation. Further, I have attended in-house training seminars at the  
21 Commission specifically designed for continuing education and training in the areas of  
22 regulatory issues. I have also worked closely with Senior Staff members familiar with my  
23 areas of responsibility in this case.

1 **EXECUTIVE SUMMARY**

2 Q. Please provide a brief summary of each of the items for which you will be  
3 sponsoring an adjustment or that you will be addressing in your direct testimony.

4 A. In this direct testimony, I address the annualization of water and sewer  
5 revenue for Algonquin's Holiday Hills Resort, Ozark Mountain Resort and Timber Creek  
6 Resort service territories, which appear in their respective Accounting Schedules. I also  
7 address the following income statement-related expense items: electric expense, telephone  
8 expense, office rent and rate case expense.

9 **PURPOSE OF TESTIMONY**

10 Q. With reference to Case No. WR-2006-0425, have you made an examination  
11 and analysis of the books and records of Algonquin in regard to its request for an increase in  
12 water and sewer revenues in this case?

13 A. Yes, in conjunction with other members of the Commission's Staff (Staff),  
14 I specifically examined and analyzed the following documentation: Company's responses to  
15 Staff data requests, general ledger information related to my assigned issues, and Company  
16 direct testimony and work papers.

17 Q. What is the purpose of your direct testimony?

18 A. The purpose of my testimony is to sponsor the following income statement  
19 adjustments for each of Algonquin's Missouri service territories:

20 Holiday Hills Resort (HHR)

21 Water Service (w):

22 Income Statement Adjustment Nos. S-1.1, S-2.1, S-3.1, S-4.1, S-23.1,  
23 S-24.1, S-36.1, S-7.1, and S-100.1.

Ozark Mountain Resort (OMR)

Water Service (w):

Income Statement Adjustment Nos. S-1.1, S-2.1, S-3.1, S-4.1, S-23.1, S-24.1, S-36.1, and S-43.1.

Sewer Service (s):

Income Statement Adjustment Nos. S-1.1, S-20.1, S-21.1, and S-33.1.

Timber Creek Resort (TCR):

Water Service (w):

Income Statement Adjustment Nos. S-1.1, S-4.1, S-23.1, S-24.1, S-36.1, and S-43.1.

Sewer Service (s):

Income Statement Adjustment Nos. S-1.1, S-20.1, S-21.1, and S-33.1.

**REVENUES**

Q. Please identify the adjustments to revenue you are sponsoring.

A. I am sponsoring all the revenue adjustments, which include: HHR S-1.1, S-2.1, S-3.1, S-4.1, and S-100.1; OMR-w S-1.1, S-2.1, S-3.1, and S-4.1; OMR-s S-1.1; TCR-w S-1.1 and S-4.1; and TCR-s S-1.1.

Q. Please discuss these revenue adjustments.

A. Adjustment HHR S-1.1, S-2.1, S-3.1, S-4.1, and S-100.1; OMR-w S-1.1, S-2.1, S-3.1, and S-4.1; OMR-s S-1.1; TCR-w S-1.1 and S-4.1; and TCR-s S-1.1 normalizes and annualizes the revenue for the Company based upon its currently existing tariff rates that are applicable to residential, commercial and irrigation customers in its service territories of Holiday Hills Resort, Ozark Mountain Resort and Timber Creek Resort. Algonquin provides water service only to the Holiday Hills Resort while it provides both water and sewer service to the Ozark Mountain Resort and Timber Creek Resorts.

Q. Please explain what you mean by the terms "normalizing" and "annualizing".

A. With regard to revenue, normalizing or normalization refers to the process of calculating what revenue would have been received if normal weather, rainfall and customer

1 numbers had been experienced during the test year. Annualization, on the other hand, is an  
2 attempt to calculate twelve months of revenues based on billing determinant information  
3 (number of customers and meter size) and usage patterns that exist at the end of the test year,  
4 update period or true-up period.

5 Q. Please discuss how water and sewer revenues for residential, commercial and  
6 irrigation customers were normalized and annualized.

7 A. Water and sewer revenues consist of customer charge revenues and  
8 commodity charge (volume of usage) revenues. The customer charge is calculated based on  
9 a specified monthly flat amount which depends on the meter size serving the customer. The  
10 number of customers at September 30, 2006 (the end of the update period in this case) was  
11 multiplied by the applicable minimum customer charge, as presently stated in the Company's  
12 tariff. This product was then multiplied by the number of billing periods in a year (twelve  
13 months) to produce the total annualized customer charge revenues.

14 The commodity charge, which accounts for the volume of water or sewer usage, was  
15 determined by multiplying the monthly, weather-adjusted average gallons used per customer  
16 by the number of customers as of September 30, 2006. This was done by first dividing the  
17 monthly gallons used by the number of customers over a five-year period from 2002-2006 to  
18 derive the usage per customer per month for these periods. To derive a normalized monthly  
19 usage amount of gallons per customer, a multi-year average was applied in certain situations,  
20 and in others a test year average was computed, to reflect the effects of weather and rainfall  
21 on water usage. The result of this computation was multiplied by twelve to arrive at an  
22 annualized usage per customer, which was later multiplied by the total number of customers  
23 to derive the annualized gallons of usage. The annualized total gallons was then divided by



1 1,000, and the commodity charge as specified in the tariffs was applied to that number to  
2 derive the total amount of annualized commodity charge revenues.

3 Q. How was the level of customers used in your computations determined?

4 A. Using the Company's response to Staff Data Request Nos. 11 and 13.4, which  
5 provided monthly reports of water pumped and water usage as well as sewer usage, the  
6 Staff compiled five years' worth of data of customer numbers by month and by meter size.  
7 The annualized customer level was determined by analyzing the trend that had occurred  
8 over the course of the five-year period in each customer group. In some cases, a twelve-  
9 month average of customers was used, while in other cases the number of customers at the  
10 end of the update period was determined to be reasonable for purposes of this analysis.

11 Q. Please explain adjustment HHR-water S-100.1.

12 A. This adjustment reflects the revenue to be derived from the annualized total  
13 gallons of water gallons used by Silverleaf Resorts, Inc. (Silverleaf) for irrigation service  
14 from Holiday Hills Resort service territory, which are not currently reflected in the  
15 Company's total test year revenues. (Silverleaf is the former owner of Algonquin's water  
16 and sewer properties in Missouri, and it transferred ownership to Algonquin of these  
17 properties in August 2005 in Case No. WO-2005-0206.) The Staff has determined that a  
18 sizeable amount of water pumped over the years was used to irrigate a golf course owned  
19 by Silverleaf, without any charge to Silverleaf. This adjustment is necessary to ensure that  
20 Algonquin's non-irrigation customers are not charged in their rates for the costs of the  
21 irrigation service supplied to Silverleaf.

22 Q. How was the annualized water gallons amount used to determine the Staff's  
23 proposed irrigation service rate computed?

1       A.     The Staff's annualized gallons used in its adjustment for the irrigation service  
2     represents the sum of four-year average of actual volume of water metered by Algonquin  
3     from October 2002 through September 2006 for the purpose of irrigating Silverleaf's golf  
4     course. Of the forty-eight months of data reviewed in the Staff's analysis, about four  
5     months did not show any water usage for the golf course. The Staff does not believe the  
6     information indicating no water usage for the golf course at all in certain months is  
7     accurate. Accordingly, in the months the report provided by Algonquin showed no water  
8     usage, the Staff utilized the average water usage for those same months in the other years  
9     reflected within this analysis to calculate its overall irrigation service volumes amount.  
10    The Staff has requested through a data request that Algonquin provide additional data on  
11    water usage for those months that showed no usage in its reports provided to the Staff.

12       Q.     What rate for Algonquin's irrigation service was used to calculate this  
13    adjustment?

14       A.     For purposes of this filing, the Staff is using the irrigation service rate of  
15    \$1.25 per thousand gallons proposed by the Company in its direct filing in this proceeding.  
16    The Staff may propose a different rate for this service in the direct testimony to be filed at a  
17    later date in this proceeding by Staff witness James Russo of the Water & Sewer  
18    Department concerning rate design.

19       Q.     Did the Company propose any adjustment for the irrigation service for  
20    Silverleaf's golf course?

21       A.     Yes. In the direct testimony of Mr. Larry W. Loos, the Company has  
22    proposed an adjustment to reflect a proposed rate for irrigation services as well.

1 Q. What are the different classes of customers of Algonquin and how were they  
2 treated in this rate case?

3 A. There are presently two classes of customers at Algonquin: residential and  
4 commercial customers for both the water and sewer services. However, between January  
5 2002 and August 2005, the previous owner (Silverleaf) did not break out the residential  
6 customers from the commercial customers, and chose to report them as one customer  
7 group. From mid-August 2005 to date, Algonquin has made an effort to separate the  
8 residential customers from the commercial customers. In Staff's revenue computation,  
9 these two customer groups were combined for the purpose of our analysis since the  
10 previous information was not appropriately separated out. Also, the Company's tariffs  
11 currently do not reflect separate rates for residential or commercial customers.

12 **ELECTRIC EXPENSE**

13 Q. Please identify the adjustment you are sponsoring for electric expense.

14 A. Adjustments OMR-w S-43.1 and TCR-w S-43.1 adjust electric expense to  
15 reflect the Staff's annualized volume of water sold in this case. Adjustments were made to  
16 decrease the test year electric expense to reflect an appropriate percentage of water loss  
17 experienced by the Company during the test year for each of the service territories. The  
18 Staff allowed for fifteen percent as a reasonable amount of water loss to be included in the  
19 cost of service, while electric expense associated with any excess water loss above this  
20 percentage was disallowed.

21 Q. Was there any additional adjustment made to the test year electric expense for  
22 any of the systems?

1           A.     Yes. For the Timber Creek service territory, the Staff observed that the  
2     Company and Silverleaf share the same electric meter and, for that matter, a portion of the  
3     electric expense.

4           Q.     How did the Staff determine how much electric expense to allocate to  
5     Silverleaf's operations?

6           A.     The Staff based its allocation of this expense to Silverleaf upon a discussion  
7     with the Company. The Staff recommends that, on a going-forward basis, the Company be  
8     required to have a separate electric meter, distinct from Silverleaf that is dedicated to utility  
9     operations and not shared with Silverleaf's resort operations.

10    **OFFICE RENT**

11           Q.     Please describe adjustments HHR S-23.1, OMR-w S-23.1, OMR-s S-20.1,  
12    TCR-w S-23.1 and TCR-s S-20.1

13           A.     Each of these adjustments annualizes rent expense for Algonquin's office  
14    located in Missouri. These adjustments reflect a full year's of rent expense for the Company.

15    **TELEPHONE EXPENSE**

16           Q.     What are adjustments HHR-w S-36.1, OMR-w S-36.1, OMR-s S-33.1,  
17    TCR-w S-36.1 and TCR-s S-33.1.

18           A.     Adjustments HHR-w S-36.1, OMR-w S-36.1, OMR-s S-33.1, TCR-w S-36.1  
19    and TCR-s S-33.1 represent an annualized amount of telephone expense for Algonquin.

20    **POSTAGE**

21           Q.     Please describe adjustments HHR-w S-24.1, OMR-w S-24.1, OMR-s S-21.1,  
22    TCR-w S-24.1 and TCR-s S-21.1.

1           A.     These adjustments represent the difference between the Staff's annualized  
2 postage expenses and the test year amount.

3 **RATE CASE EXPENSE**

4           Q.     Did the Staff propose an adjustment to include any rate case expense in its  
5 revenue requirement recommendation?

6           A.     No.

7           Q.     Why has the Staff proposed no rate case expense allowance in this  
8 proceeding?

9           A.     There are several reasons why the Staff determined not to recognize any rate  
10 case expense in this rate case. First and foremost, the Staff believes that the informal rate  
11 process should have been pursued first, before filing of a formal rate increase application.  
12 This course of action would have saved the Company and ratepayers money on rate case  
13 expense, including consultant and legal fees. Also, pursuing an informal rate increase  
14 application might have reduced the number of issues to be addressed in a later formal filing,  
15 if one was necessary. Secondly, the Staff believes this formal rate increase application was  
16 prematurely filed, given that very little Algonquin-specific data existed on which to set rates  
17 at the time of the Company's filing.

18          Q.     Does the Staff recommend any amount for rate case expense in this rate case  
19 in an event the Commission believes there should be one?

20          A.     If the Commission believes that some amount of rate case expense is  
21 appropriate in this rate case, then the Staff recommends that amount should not exceed  
22 \$5,000. Given the size of the Company and the impact of rate case expenses associated with

Direct Testimony of  
"Kofi" A. Boateng

1 a formal rate application on its customers, the Staff believes that this amount represents the  
2 upper bounds of a reasonable rate case expense allowance.

3 Q. Does this conclude your direct testimony?

4 A. Yes, it does.

**CASE PROCEEDING PARTICIPATION**

**“KOFI” A. BOATENG**

<b>PARTICIPATION</b>		
<b>COMPANY</b>	<b>CASE NO.</b>	<b>FILING TYPE/ISSUES</b>
The Empire District Electric Company	ER-2006-0315	Testimony: Plant and Depreciation Reserve, Cash Working Capital, Property Taxes, Advertising, Dues and Donations, Outside Services, Banking Fees, Promotional Giveaways, Transmission Billing Adjustment, Maintenance
New Florence Telephone Company	TC-2006-184	Stipulation and Agreement
Aquila, Inc., d/b/a Aquila Networks-L&P	HR-2005-0450	Testimony: Materials and Supplies, Prepayments, Customer Deposits, Customer Deposits Interests, Customer Advances, PSC Assessments, Rate Case Expense
Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P	ER-2005-0436	Testimony: Materials and Supplies, Prepayments, PSC Assessments, Rate Case Expense
Public Service Commission of the State of Missouri v. Cass County Telephone Company Limited Partnership	TC-2005-0357	Stipulation and Agreement
Southtown Utilities, Inc.	WA-2005-0268	Staff Memorandum
Suburban Water and Sewer Company	WR-2005-0455	Staff Memorandum
Noel Water Company, Inc.	WR-2005-0452	Staff Memorandum
Aqua Missouri Development	QS-2005-0008	Staff Memorandum
Aqua Missouri/RU Company	QW-2005-0099	Staff Memorandum
Aqua Missouri/CU Company, Inc.	QS-2005-0010	Staff Memorandum
Aqua Missouri/CU Company, Inc.	QW-2005-0011	Staff Memorandum